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News release via Canada NewsWire, Toronto 416-863-9350

Attention Business Editors:
Mosaic Expands its Leading Wireless Customer Acquisition Capability With Worldcom Wireless

TORONTO, Jan. 24 /CNW/ - Mosaic Group Inc. (MGX:TSE), North America's leading independent marketing solutions company with capabilities in Canada, the US and the UK, announced today that it has formed a new non-exclusive wireless customer acquisition relationship with Worldcom Wireless, Inc. Mosaic has discontinued its direct marketing customer activity for AT&T Wireless which previously was carried out through an exclusive relationship.

Mosaic has issued three other press releases today:

1. Mosaic Acquires Custom Offers LLC
2. Mosaic Issues New Earnings Guidance
3. Mosaic Announces New Business Plan and Management Appointments

Commencing on or about January 28, 2002 Mosaic will begin marketing Worldcom Wireless consumer wireless services across the United States on a non-exclusive basis. Worldcom Wireless' service capabilities currently reach over 90% of the United States territory.

"Worldcom Wireless will be our main US based wireless partner going forward" said David Graf, President of Mosaic's Performance Solutions Division. "Our transition to a non-exclusive arrangement with Worldcom Wireless reflects Mosaic's threefold desires to: (1) provide flexibility in how we optimize our wireless marketing expertise; (2) increase the potential size of our market by leveraging Worldcom Wireless's larger wireless services footprint in the United States; and (3) provide higher potential operating margins combined with a lower risk business model as provided by the terms of our agreement with Worldcom Wireless. In 2001, we acquired approximately 750,000 wireless customers in the United States, representing approximately 6% of the US wireless market for our carrier Partners. We look forward to expanding our leadership position in this high growth vertical market with this new partnership with Worldcom Wireless."

Marc Byron, Mosaic's CEO adds, "this exciting new distribution agreement is a prime example of how Mosaic will focus on producing improved operating margins and earnings going forward, while we leverage our clear and distinct competitive advantages. Across all of Mosaic, as part of our ongoing transition plan throughout 2002, we are reviewing each contract with our Brand Partners to ensure we are in position to best balance the size of the work, the margin and earnings generated with the risk associated in each relationship. In this new Worldcom Wireless agreement, for example, we are A) no longer tying up capital by owning phone inventory, and B) responsible for a significantly reduced customer churn charge back period. It is all part of our conscious plan to optimize earnings and further mitigate risk. The revenue per acquired customer is lower, yet the business model is much more attractive. When combined with our successful and rapidly growing Sainsbury's Mobile joint venture in the UK with BTCellnet and Sainsbury's, which is now the fastest growing wireless network in the UK, this agreement further substantiates our clear global leadership position in acquiring wireless customers."

Mosaic has now completely discontinued its direct marketing customer acquisition work for AT&T Wireless that was carried out by the Mosaic Performance Solutions division. Although terms of Mosaic's ongoing role with AT&T Wireless, if any, have not yet been finalized, it is anticipated that Mosaic will maintain its consumer wireless acquisition services in the retail environment with AT&T Wireless through work done by Mosaic's Sales Solutions North American division. Further, in conjunction with the discontinuance of Mosaic's direct marketing activities with AT&T, the parties are in the process

of negotiating the financial arrangements of such discontinuance. The Company does not anticipate any material impact on its financial position resulting from such negotiation.

For additional information on this announcement and other announcements separately press released today, the reader is invited to access the Mosaic Group Inc. analyst meeting and conference call on Friday January 24, 2002 at 9:30 am EST. The dial in number for Toronto and overseas callers is 416-640-4127. The toll-free number for North America is 1-877-823-6611. The 72-hour playback number is 416-640-1917 pass code 169575 (pound key) or 1-877-289-8525 pass code 169575 (pound key). The conference call (via web cast) as well as visual support materials are available through Mosaic's website at www.mosaicgroupinc.com in the Investor Relations section.

Statements, estimates and projections in this press release regarding the business of Mosaic Group Inc., which are not historical facts are "forward-looking statements and projections" that involve risks and uncertainties. Substantial risks and uncertainties exist with respect to such factors as the maintenance of client relationships, client credit risk, the performance of capital markets, changes in interest rates, changes in foreign currency exchange rates, the retention of key management and availability of employees for hire, changes in labour and other laws to which the Company is subject, the impact of terrorism on consumer and business behaviour, competition, and overall economic performance as well as various other risk factors that will be listed from time to time in Mosaic's reports or other forms of public disclosure whether written or oral. Because of these risks and uncertainties, actual results could differ materially from those contained in our projections or other forward-looking statements. Accordingly, we caution readers to consider the risks and uncertainties inherent in relying on forward-looking statements we have made at this or any other time.

Mosaic Group Inc., with operations in Canada, the United States, and the United Kingdom, is a world leading provider of results-driven, measurable marketing solutions for global brands. Mosaic specializes in three functional solutions: Direct Marketing Customer Acquisition and Retention Solutions; Marketing & Infrastructure Solutions; and Sales Solutions & Research, offered as integrated end-to-end solutions. Mosaic differentiates itself by offering solutions steeped in technology, driven by efficiency and providing measurable and sustainable results for our Brand Partners. Mosaic trades on the TSE under the symbol MGX. Further information on Mosaic can be found on its web site at www.mosaicgroupinc.com.

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/For further information: John McIlveen, Director of Corporate Development, (416) 813-4292, Mosaic Group Inc., Email: mcilveenj(at)mosaicgroupinc.com; Donna Cox-Davies, Director of Communications, (416) 813-4279, Mosaic Group Inc., email: cox-daviesd(at)mosaicgroupinc.com/

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Attention Business/Financial Editors:
Mosaic Group Announces 2001 Year End Results

TORONTO, Feb. 28 /CNW/ - Mosaic Group Inc. (MGX:TSE), the leading independent marketing solutions company with capabilities in Canada, the US and the UK, today reported its year end results for fiscal 2001. All numbers are in line with the Company's guidance announced on January 24, 2002. The Company is also on track to achieve the guidance previously provided for the first quarter 2002.

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Financial Highlights

	Three months ended December 31, (in thousands except per share amounts)			Full Year ended December 31, (in thousands except per share amounts)		
	2001	2000	%Change	2001	2000	%Change
Revenues	$167,396	$145,766	15%	$761,654	$493,662	54%
EBITDA (1)	17,926	20,822	(14)%	84,628	67,297	26%
Cash earnings (2)	6,640	10,556	(37)%	39,335	37,647	4%
Earnings from continuing operations	4,002	8,340	(52)%	29,030	30,909	(6)%
Per share amounts:						
Cash earnings (2):						
Basic	$ 0.07	$ 0.14	(50)%	$ 0.48	$ 0.52	(8)%
Diluted	$ 0.07	$ 0.14	(50)%	$ 0.48	$ 0.50	(4)%
Diluted pro forma (3)	n/a	n/a		$ 0.32	n/a	
Earnings from continuing operations:						
Basic	$ 0.04	$ 0.11	(63)%	$ 0.35	$ 0.43	(19)%
Diluted	$ 0.04	$ 0.11	(63)%	$ 0.34	$ 0.41	(17)%
Diluted pro forma (3)	n/a	n/a		$ 0.20	n/a	

(1) Earnings from continuing operations before depreciation and amortization, interest, minority interest and income taxes.
(2) Earnings from continuing operations before net-of-tax goodwill charges.
(3) Pro forma earnings per share reflects the impact of Paradigm Earnout as if it had occurred on January 1, 2001. Refer to discussion on supplemental earnings measures.

Commenting on today's earnings release, Marc Byron, CEO since January 1, 2002 states, "In closing out 2001, we look back on the completion of a major phase of Mosaic's growth in which the company's focus has been buying companies to build a major marketing services platform. As we look forward from January 1, 2002, Mosaic's focus is to (i) aggressively grow our relationships with current Brand Partners through our cross serve and cross sell strategy; (ii) identify new brands for which we will provide innovative and high margin solutions; (iii) smartly exploit this unique platform by

creating new, diversified revenue and earnings streams by selling our own proprietary services as well as forming large scale joint ventures with leading Brands; and (iv) significantly improve our balance sheet. The Go Forward Plan was presented in detail in January of this year to both employees and the investment community. I am pleased to report that from my perspective, we are on or ahead of our timeline in virtually all aspects of our Plan towards making Mosaic the powerhouse in measured marketing solutions."

As part of the Go Forward Plan, Mosaic has been reorganized into four divisions. Each division is currently streamlining its operations and has a mandate to evaluate all Brand Partner relationships and associated operations to maximize their long term earnings potential. To complement this new structure, Mr. Byron appointed divisional presidents with proven track records. Mosaic divisional Presidents are David Graf, President Performance Solutions; Brian Meagher, President Sales Solutions; John Hoholik, President Marketing and Technology Solutions; and Jerry Stone, President Mosaic Solutions UK. Marc comments, "If investors back management teams, then I invite and welcome current and prospective investors to get to know this group. All four leaders are earnings driven, have extensive experience serving some of the world's largest brands through the delivery of complex marketing solutions and they have a track record in driving major new business wins. Finally, this team is aligned around the Go Forward Plan, and highly motivated through significant equity ownership in Mosaic."

Management has determined through a critical evaluation of the cost side of the business that an aggressive restructuring is required. The Company is currently in the process of finalizing plans in respect of a $10 - $14 million restructuring, which the Company anticipates will be concluded for the most part by the second quarter of 2002. Management expects to realize significant cost savings and improved efficiencies by reducing the Company's full-time workforce by approximately 10 percent and by consolidating a number of physical locations. Annual savings are expected to approximate $10 million, or around $5 million in fiscal 2002. "No CEO ever likes to have to conduct such a restructuring", says Byron, "yet I committed upon accepting this position that I would act decisively and in the long term interests of our shareholders and the brands we serve. Going forward, the Company will be run with an intense focus on cost side controls in addition to our dedicated, well funded and tightly managed new business development efforts. In combination, this approach should lead to improving margins and accelerated growth in revenues and earnings and renewed growth in earnings per share."

One of the cornerstones of the Go Forward Plan is a dedicated new business development group. The Company is currently formulating this group and its plans, and expects that as the year progresses, significant new business wins will begin to emerge. Commenting on this important initiative, Byron adds, "As a Company goes through these kinds of changes, I believe we have to focus on very specific initiatives and priorities to ultimately be successful. Our new business development plan is one of those key areas, and I am confident that investors will be rewarded with exciting new wins as this group begins to augment our already strong pipeline and then close our share of these opportunities during the second half of 2002 and into 2003.

Byron concludes that, "we are executing our Go Forward Plan day-by-day and we can already see demonstrable progress. We know 2002 will be a transition year, setting us up for our break-out year in 2003 and beyond. A company will soon rise up to dominate the multi-billion dollar measured marketing space, and we plan on that being Mosaic."

Greg Kiernan appointed to Board of Directors

Mosaic is also pleased to announce the appointment of Greg Kiernan to the Board of Directors effective February 26, 2002. Mr. Kiernan was an initial investor in Paradigm Direct, enjoyed a distinguished career on Wall Street and is a former senior executive of Paine Webber. Currently Mr. Kiernan is a partner at Sonostar Ventures, a private equity group. "I am extremely pleased

that Greg has accepted a position of Mosaic's Board as he brings a wealth of business and financial experience to the Company as well as strong ties to Wall Street", said Marc Byron.

2002 Guidance

Management reiterates the guidance it released on January 24, 2002 (before the impact of estimated restructuring charges):

	Fiscal 2002 Estimates	3 months ended March 31, 2002 Estimates
Revenue (mln)	$730 to $750	$135 to $145
EBITDA (mln)	$89 to $91	$11 to $13
Diluted EPS	$0.32 to $0.34	$0.01 to $0.02

Supplemental earnings measures

In addition to providing earnings measures in accordance with Generally Accepted Accounting Principles (GAAP), the Company presents certain supplemental earnings measures, specifically - EBITDA, Cash earnings, and Pro forma earnings. These earnings measures do not have any standardized meaning prescribed by GAAP and are therefore may not be comparable to similar measures presented by other companies.

(1) EBITDA - defined as earnings from continuing operations before depreciation and amortization, interest, minority interest and income taxes and goodwill charges. This measure is provided to assist investors in determining the ability of the Company to generate cash from operations. EBITDA is disclosed in the statement of income.

(2) Cash earnings - defined as earnings from continuing operations before net-of-tax goodwill charges. Cash earnings per share can be determined from the statement of income by dividing earnings from continuing operations before goodwill charges less the distributions on equity instruments by the weighted average number of shares outstanding.

(3) Pro forma earnings per share reflects the impact of Paradigm Earnout as if it had occurred on January 1, 2001 to assist investors assess the potential dilution of this transaction. The determination of pro forma share earnings is based on the following assumptions:

   (a) the transaction was effective on January 1, 2001;
   (b) 33,020,000 common shares were issued on that date including the first payment of 20,540,000 shares and a further US$26 million settled in shares (12.48 million shares);
   (c) the consideration of US$26.5 million was paid in cash, and financed through borrowings at an interest rate of 6% with a tax shield of 25% on the interest expense;
   (d) the US dollar to Canadian dollar exchange rate during the period was 1.59 for purposes of determining the Canadian dollar interest cost on an after tax basis.

Management's Commentary on Fiscal 2001 and Outlook for Fiscal 2002

This section of our report provides Management's Commentary of the financial condition and operating performance of Mosaic Group Inc. for the years ended December 31, 2001 and 2000. This review focuses on key measures used to monitor our overall financial performance and financial condition. The

analysis should be read in conjunction with and is based on the consolidated financial statements, which are presented later in this report. All amounts are in Canadian dollars, unless otherwise stated.

OVERVIEW

During fiscal 2001 and over the first two months of 2002, Mosaic continued to take the steps necessary to evolve its business into the world's largest independent marketing & sales solutions company. Following are some of the major steps taken:

(a) Appointment of Marc Byron as the Chief Executive Officer of the Company effective January 1, 2002 and making other senior management changes. The focus of the change is to combine experienced operations personnel with proven business development track records.

(b) The development and announcement in early 2002 of the Company's "Go Forward Plan" which focuses on building revenue and earnings growth through targeted sales and marketing efforts along with strong operations management.

(c) The reduction of selling general & administrative ("SG&A") costs in 2001 through headcount and overhead reductions at a cost of $4.2 million with annualized savings estimated at $10.5 million. The Company is planning a further approximate 10% headcount reduction in the first quarter of 2002.

(d) Signing of major contracts aggregating over $150 million in fiscal 2001 including DIRECTV, Microsoft, Sainsbury's and BT Cellnet.

(e) Private placement of Canadian Originated Preferred Securities amounting to US$57 million in June 2001 to begin the process of strengthening the balance sheet.

(f) Finalizing the terms of the contingent consideration payable to Paradigm Direct (now renamed Mosaic Performance Solutions) to remove related uncertainties, and to allow its complete integration into Mosaic.

(g) Retooling Mosaic's customer direct marketing acquisition business (Mosaic Performance Solutions) after the fallout of the events of September 11th in the United States, to bring its direct marketing response rates to historic levels.

(h) Decision to migrate Mosaic's direct marketing customer acquisition work to WorldCom Wireless from AT&T Wireless beginning in fiscal 2002. Although the Company had a short term negative impact on profit in the fourth quarter of 2001, extending into the first quarter of 2002, management believes that the WorldCom relationship will ultimately be more profitable and carry lower risk for Mosaic.

(i) Completion of the previously announced exit from Mosaic's unprofitable Continental Europe operations.

GO FORWARD PLAN

In January 2002 the Company unveiled its "Go Forward Plan" to its major stakeholders. This plan will be the cornerstone of the Mosaic's growth strategy. The main components of this plan follow:

(a) Reorganize Mosaic into four business divisions from 23 largely independent units with the objective to streamline the organization, encourage cross selling, reduce overheads and provide critical mass. The four business units include:

- Mosaic Performance Solutions (North America)

- Mosaic Sales Solutions (North America)

- Mosaic Marketing & Technology Solutions (North America)

- Mosaic UK Solutions (United Kingdom)

(b) Devote significant resources to business development including the establishment of a new business development unit directly reporting to the CEO.

(c) Realignment of employee compensation, performance measurement systems and career development to encourage exceptional financial performance including cross selling of integrated marketing solutions.

(d) Re-branding of all business units to Mosaic to enhance external awareness of Mosaic's solutions offerings.

(e) Completing an efficiency review of the entire organization with a view to improving EBITDA (earnings before interest, taxes, depreciation and amortization, minority interest and goodwill charges) margin performance metrics by no less than one full percentage point in 2002 compared to 2001. The areas of focus include:

- Performing a profitability review of all Mosaic's brand partner relationships with a view to re-negotiating or alternatively eliminating contracts which do not provide adequate profit contribution

- Identifying areas of excess resource capacity within the Company as well as opportunities to reduce costs and improve efficiencies by realignment and integration of operations. The Company expects to eliminate approximately 10% of its work force and consolidate a number of physical locations. The Company is currently estimating the costs related to this restructuring to be in the range of $10 to $14 million with savings estimated to be $10 million on an annualized basis or approximately $5 million in fiscal 2002.

(f) Restructure and reduce debt levels to provide for more balanced borrowing from alternate sources, to provide for a longer average maturity and to reduce the absolute level of debt outstanding. A stronger balance sheet will help the Company achieve its growth objectives more rapidly.

MOSAIC EXPANDS WIRELESS CUSTOMER ACQUISITION CAPABILITY
WITH WORLDCOM WIRELESS

In the first quarter of 2002 Mosaic formed a new non-exclusive wireless customer acquisition relationship with WorldCom Wireless, Inc. Coincident therewith, Mosaic discontinued its direct marketing customer contract with AT&T Wireless which previously was carried out through an exclusive

relationship. In 2001, Mosaic acquired approximately 750,000 wireless customers in the United States, representing approximately 6% of the US wireless market for Mosaic's carrier Brand Partners.

Commencing on January 28, 2002 Mosaic began marketing WorldCom Wireless consumer wireless services across the United States on a non-exclusive basis. WorldCom Wireless' service capabilities currently reach over 90% of the United States territory.

The transition to a non-exclusive arrangement with WorldCom Wireless was done to:

(i) provide flexibility in how Mosaic optimizes its wireless marketing expertise;

(ii) increase the potential size of the market by leveraging WorldCom Wireless's larger wireless services footprint in the United States; and

(iii) provide higher potential operating margins combined with a lower risk business model as provided by the terms of the agreement with WorldCom Wireless as:

- the Company is not responsible for owning phone inventory or for phone fulfillment; and

- has limited responsibility for customer churn in comparison with the AT&T Wireless contract arrangements.

Effective January 2002 the Company discontinued its direct marketing customer acquisition contract with AT&T Wireless as profitability levels on this contract fell below target levels. This work represented US$90.6 million in revenues during 2001 and incurred a loss in the fourth quarter.

As a result of the wind-down of the AT&T Wireless direct marketing contract, Mosaic's pre-tax earnings were lower by approximately $4.0 million in the fourth quarter of 2001. Further, in conjunction with the discontinuance of Mosaic's direct marketing activities with AT&T Wireless, the parties are in the process of negotiating the financial arrangements of such discontinuance. In the event that a satisfactory resolution is not achieved either party may elect to settle such matter through binding arbitration. In February 2002, the Company notified AT&T Wireless of the Company's intention to arbitrate should a mutually agreeable resolution not be reached. The Company does not anticipate any material negative impact on its financial position resulting from such negotiation or arbitration.

Looking forward, the Company expects that the WorldCom Wireless program will build during the first quarter of 2002 as the Company ramps up its services and then will provide relatively consistent revenues and margin thereafter as the program matures. Commencing in the second quarter, it is management's estimate that the WorldCom program will generate approximately US$10 to US$12 million less per quarter in revenues than the AT&T Wireless program generated in the prior year, however, the new program is expected to generate approximately the same level or better of profit margin per customer acquired.

PARADIGM DIRECT EARNOUT

In the fourth quarter of 2001, the Company entered into an agreement with the vendors of Paradigm Direct LLC, now renamed Mosaic Performance Solutions, amending certain terms related to the contingent consideration ("earnout") payable as per the original merger agreement. Mosaic management entered into the early termination of the earnout on November 6, 2001, as it believed this early termination had significant benefits for Mosaic's

shareholders as: (i) it provided finality and certainty with respect to the amount and timing of the Mosaic Performance Solutions Earnout to the former equity holders of Paradigm, including the maximum number of additional Mosaic common shares issuable; (ii) it eliminated the risk of possibly higher shareholder dilution that may otherwise have occurred under the terms of the original merger agreement; and (iii) it allows the Company to retain financial flexibility in terms of the ultimate level of debt incurred.

Shareholders approved the terms of the amending agreement on January 7, 2002. The additional consideration payable has been included in goodwill.

The following table summarizes the amounts payable under the amended terms:

20,540,000 shares issued in January 2002	$ 57,512
Payable in cash or common shares at Mosaic's option, US$26,000,000 or a maximum of 12,480,000 shares	41,340
Total obligations included in share capital	98,852
Cash paid in January 2002	42,135
Additional transaction costs	2,012
Total additional consideration	$ 142,999

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Summary financial information
(in thousands of dollars, except percentages):

	2001	2000	Change	Change (%)
Revenue	761,654	493,662	267,992	54%
Gross Profit	216,189	174,902	41,287	24%
% of Revenue	28.4%	35.4%	(7.0%)	
SG&A	131,561	107,605	23,956	22%
% of Revenue	17.3%	21.8%	(4.5%)	
EBITDA	84,628	67,297	17,331	26%
% of Revenue	11.1%	13.6%	(2.5%)	

Highlights of 2001 operating performance follow:

(a) Revenues increased by 54% to $761.7 million compared to $493.7 million in 2000. Pro forma revenue growth (which includes the fourth quarter 2000 acquisition of Mosaic Performance Solutions) grew by 12% in local currency terms with significant growth in the United States offset by a reduction in the United Kingdom.

(b) Earnings from continuing operations before interest, taxes, depreciation, and amortization ("EBITDA") increased 26% to $84.6 million in 2001, from $67.3 million in 2000.

(c) Earnings from continuing operations before goodwill charges ("cash earnings") were $39.3 million in 2001 compared to $37.6 million in 2000.

(d) Earnings were, however, negatively impacted by the following factors which accumulated to approximately $0.06 to $0.07 per diluted share over fiscal 2001:

- As a result of the wind-down of the direct marketing customer acquisition contract with AT&T Wireless and the move to WorldCom Wireless, the pre-tax earnings in the fourth quarter of fiscal 2001 were lower by approximately $4.0 million or $0.04 per share.

- The financial impact of the terrible events of September 11th was to reduce third quarter revenues by approximately $15 million to $17 million with a corresponding reduction in operating earnings estimated at $2.3 to $2.5 million or $0.02 to $0.03 per share.

The following table summarizes the reported diluted and pro forma earnings per share ("EPS") from continuing operations for fiscal 2001.

	For the years ended	
	2001	2000
EPS	$0.34	$0.41
Cash EPS	$0.48	$0.50
Pro Forma EPS(1)	$0.20	n/a
Pro Forma cash EPS(1)	$0.32	n/a

(1) Pro Forma EPS reflects the impact of Mosaic Performance Solutions earnout as if it had occurred on January 1, 2001. This determination of per share earnings is based on the following assumptions:

(i) the transaction was effective on January 1, 2001;

(ii) 33,020,000 common shares were issued on that date including the first payment of 20,540,000 shares and a further US$26 million settled in shares (12.48 million);

(iii) the consideration of US$26.5 million was paid in cash, and financed through borrowings at an interest rate of 6% with a tax shield of 25% on the interest expense;

(iv) the US dollar to Canadian dollar exchange rate during the period was 1.59 for purposes of determining the Canadian dollar interest cost on an after tax basis.

Revenues and Gross Profit
2001 Results:

The following table summarizes the comparative fourth quarter and full year revenues by major country within which the Company operates.

Revenues
(in millions of dollars except percentages)

	Three months ended December 31			Fiscal Year		
	2001	2000	Change	2001	2000	Change
Canada	26.3	15.7	68%	120.8	116.7	4%
United States	99.6	86.9	15%	464.5	177.5	162%
United Kingdom	41.5	43.2	(4%)	176.4	199.5	(12%)
Total	167.4	145.8	15%	761.7	493.7	54%

Revenues for fiscal 2001 were impacted by the following major factors:

(a) Full year inclusion in fiscal 2001 of revenues from Mosaic Performance Solutions, which was acquired in November 2000. This is reflected in year over year pro forma revenues growth of 33% in the U.S. compared to the growth in reported revenues of 162%. Pro forma consolidated Mosaic revenue growth, including the impact of Mosaic Performance Solutions, in fiscal 2001 was 13% (before currency impact) compared to the increase in reported revenues of 54%;

(b) The development of significant new contracts, especially in the US, with revenues of over $100 million in fiscal 2001. These contracts include those with DIRECTV, Microsoft, New Power, Guinness United Distillers and Vintners (GUDV), Brown & Williamson, Sainsbury's and BT Cellnet. Revenues from Mosaic's top 25 brand partners, excluding AT&T Wireless, grew by approximately 45% year over year mainly through new contracts implemented in fiscal 2001;

(c) Strengthening of the US dollar and the British pound in relation to the Canadian dollar resulting in a positive impact of 1% on reported revenues for fiscal 2001 in relation to the prior year;

(d) The fourth quarter of fiscal 2001 was impacted by reduced marketing under the AT&T Wireless direct marketing customer acquisition contract as the contract was proving unprofitable.

(e) Insufficient business development activities negatively impacted 2001 revenues, particularly in the United Kingdom, where management turnover was high at the beginning of the year. Mosaic's Go Forward Plan devotes significant resources to business development with a new business development unit setup reporting directly to the CEO;

(f) Direct fallout from the events of September 11th, reduced third quarter revenues by approximately $15 to $17 million; and

(g) Cutbacks in discretionary client spending especially in the Mosaic's relevance marketing business and certain of Mosaic's clients in the information technology sector. Over all about 15% to 20% of Mosaic's revenue base is exposed to the more discretionary marketing budgets of Mosaic's brand partners, which have a tendency to decline during periods of economic downturn. The remaining 80% to 85% of Mosaic's revenue base is derived from typically less discretionary sales and distribution budgets of the Company's brand

partners.

Mosaic has a large customer base spread over a number of industry sectors. The top 25 customers accounted for approximately 75% of 2001 revenues. Over 70 customers each generated revenues in excess of $1 million during the year. AT&T Wireless represented approximately 27% of the total revenues in fiscal 2001. As discussed in the previous section, Mosaic has discontinued its direct marketing customer acquisition contract with AT&T Wireless as profitability levels on this contract fell below target levels. This work represented US$90.6 million in revenues during 2001 or about 18% of the total revenues but generated a significantly lower percentage of total fiscal 2001 earnings. The WorldCom Wireless contract will generate lower revenues compared to the AT&T Wireless contract but is expected to generate the same or higher absolute margins per customer acquired. However, as previously discussed, the risks for Mosaic, associated with the WorldCom Wireless business model will be significantly lower than that with the AT&T Wireless business.

By client industry sector, Mosaic's 2001 and 2000 revenues breakdown as follows:

Industry	2001	2000
Consumer goods	36%	49%
Telecommunications	32%	16%
Financial services	13%	17%
IT and convergent technology	7%	13%
Automotive and others	12%	5%
	100%	100%

The significant increase in the revenues from the telecommunications industry was mainly due to the revenues from AT&T Wireless during the year. Telecommunications revenues are expected to decline approximately US$10 to US$12 million per quarter in the United States in 2002 in relation to 2001 resulting from the switch from performing customer acquisition work for AT&T Wireless to WorldCom Wireless. In the United Kingdom, there is likely to be an increase in revenues in 2002 from the telecommunication industry as a result of the commencement of the customer acquisition relationship with BT Cellnet and the ongoing Mobile program with Sainsbury's. The other trend during fiscal 2001 has been a significant reduction in the number of IT and convergent technology clients as this sector cuts spending in a soft business environment for technology products.

Gross Profit increased to $216.2 million in fiscal 2001 from $174.9 million in fiscal 2000. Gross profit as a percentage of revenues was 28.4% in 2001, a decrease from 35.4% in 2000. This decline is partly due to the full year impact of the inclusion of Mosaic Performance Solutions whose pay for performance model typically operates at lower gross margin levels than Mosaic's traditional businesses. In addition, the Company experienced lower earnings in the fourth quarter arising from the decision to discontinue the AT&T Wireless direct marketing contract. Also adversely affecting profit margins was the increased budget pressure from certain clients in light of the weakening economic environment in 2001.

Outlook for 2002:

The Company began fiscal 2002 with a high level of revenue visibility. This visibility is 80% as measured by Mosaic's projected fiscal 2002 revenues, which are either contracted or highly probable (defined as a contract which is

expected to be renewed during 2002, where Mosaic has a distribution arrangement or where Mosaic is an agency on record and a budget has been identified by the brand partners).

The following table summarizes managements' revenue estimates for fiscal 2002.

Projected 2002 revenues
(millions of dollars)

	2002 Estimates	2001 Actual
Mosaic Performance Solutions (North America)	$310 - 315	$324
Mosaic Sales Solutions (North America)	230 - 235	206
Mosaic Marketing & Technology Solutions (North America)	55 - 60	56
Mosaic UK Solutions (United Kingdom)	135 - 140	176
Mosaic Consolidated	$730 - 750	$762

Management estimates that fiscal 2002 revenues will be in the range of $730 to $750 million compared to $762 million in fiscal 2001. The reduction in estimated revenues for fiscal 2002 compared to 2001 is primarily due to:

(a) Mosaic's decision to discontinue the AT&T Wireless direct marketing customer acquisition contract and move to WorldCom Wireless. However, the new program is expected to generate approximately the same level or better of profit margin per customer acquired; and

(b) The planned discontinuance of several unprofitable contracts, particularly in the United Kingdom; partly offset by

(c) Significant growth opportunities in the sales solutions business in North America.

As part of the Go Forward Plan for 2002, Mosaic's management has committed significant resources to business development activity with the appointment of senior executives who will focus on developing new and existing client contracts with higher margins on a per contract basis. The 2002 plan has specifically allocated $3.7 million towards business development to be used for the funding of:

(a) dedicated senior business development people at units;

(b) lead generators and "rainmakers" across divisions;

(c) external lead generation fees

(d) external communication and re-branding initiatives: and

(e) internal incentive related compensation

The Company expects these business development initiatives to generate significant revenues towards the latter half of fiscal 2002 that will replace revenues lost from unprofitable contracts discontinued by Mosaic. Looking forward the company expects its gross margin percentage to marginally improve in 2002 as a result of:

(a) The replacement of the AT&T Wireless direct marketing contract with the WorldCom Wireless customer acquisition program;

(b) Cost savings from previously completed actions including employee terminations and discontinuance of unprofitable brand partner contracts. This includes the discontinuance of two unprofitable direct selling contracts in the United Kingdom, which resulted in losses of $1.2 million during fiscal 2001; and

(c) The restructuring of the Sainsbury'sMobile Program in the U.K. which became profitable in the fourth quarter of 2001. To August 31, 2001, this program incurred operating losses aggregating approximately $1.5 million as initial customer acquisition levels were lower than planned;

Currently, the Company is undertaking a review of gross margins across its entire client base to eliminate contracts which do not meet target profitability levels. This action is being taken in conjunction with Mosaic's restructuring plans, which will be finalized in the first half of 2002.

Selling, General and Administrative ("SG&A") Expenses

2001 Results:

The components of SG&A expense, stated as a percentage of revenues, were as follows:

SG&A Expense as a % of Revenues	2001	2000
Salaries, benefits, and bonuses	10.9%	14.1%
Equipment leases	0.3%	0.7%
Occupancy	1.3%	1.6%
Other	4.8%	5.4%
	17.3%	21.8%

SG&A expenses in fiscal 2001 were $131.6 million, an increase of 22% over fiscal 2000. The increase was mainly due to the full year impact of the inclusion of Mosaic Performance Solutions, which was acquired in the fourth quarter of 2000. Although SG&A expenses have increased on year over year basis, these expenses as a percentage of revenues decreased to 17.3% during fiscal 2001, from 21.8% in the prior year. The percentage decline is largely due to the positive impact of Mosaic Performance Solutions which typically has SG&A levels running at less than 11% of revenues partially offset by higher SG&A costs resulting from a build out of senior Mosaic management resources, excess head count at certain operating locations and one-time severance costs.

With the significant revenue decline in the United Kingdom and softness in certain other businesses, management focused in 2001 on personnel reductions to reduce excess capacity, control of discretionary spending such as travel, combining back offices in the areas of finance, human resource, IT and payroll and maximizing supplier leverage and benefits enjoyed throughout the group. During the year, 178 employees were eliminated as a result of redundancies with a total cost of $4.2 million.

As announced in January of 2002, management is committed to further reductions in head count in selected operating divisions aggregating approximately 10% of total full time staff as well as closure of four to six business locations. The Company is currently estimating the costs related to this restructuring to be in the range of $10 to $14 million, with this charge to be recorded in the first quarter of 2002. Annualized savings from such

initiatives are estimated at $10 million with an estimated $5 million saving in fiscal 2002.

Outlook for 2002:

Looking forward, management anticipates that SG&A in 2002 will approximate 16% to 17% of revenues.

Earnings From Continuing Operations Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

2001 Results:

EBITDA for 2001 was $84.6 million, up 26% from $67.3 million in 2000. EBITDA as a percentage of revenues was 11.1%, compared to 13.6% in 2000. The decline in EBITDA margin percent can be attributed to the following significant items:

(a) The fourth quarter reduction in earnings of approximately $4.0 million from the wind-down of the direct marketing customer acquisition contract with AT&T;

(b) The impact of September 11 on the Company's Performance Solutions business, which resulted in a negative earnings impact of $2.3 to $2.5 million during the third quarter of fiscal 2001;

(c) Losses on unprofitable contracts in the United Kingdom of $1.2 million. These contracts have subsequently been terminated; and

(d) The loss incurred to August 31, 2001 of $1.5 million during the start up phase of the Sainsbury'sMobile program.

Outlook for 2002:

Excluding the impact of any restructuring costs and related savings, management estimates fiscal 2002 EBITDA to be in the range of $89 million to $91 million, which would be approximately 11.5% to 12.0% of revenues compared to 11.1% in 2001. The improvement in the operating metrics would be largely as a result of a change in the revenue mix arising from the discontinuance of unprofitable Brand Partner contracts, the avoidance of one-time losses incurred in 2001 and the result of previously completed cost reduction measures.

Mosaic Group (in thousands of dollars, except percentages and per share amounts)

	2001	2000	Change ($)	Change (%)
EBITDA	84,628	67,297	17,331	26%
Depreciation and other amortization	17,858	9,422	8,436	90%
Interest, net	16,811	8,994	7,817	87%
Minority Interest	(629)	(393)	(236)	60%
Earnings from continuing operations before income taxes	50,588	49,274	1,314	3%
Income taxes	11,253	11,627	(374)	(3%)
Effective tax rate	22%	24%	(2%)	
Earnings from continuing operations before goodwill charges (cash earnings)	39,335	37,647	1,688	4%
Goodwill charges net of income taxes	10,305	6,738	3,567	53%
Earnings from continuing operations	29,030	30,909	(1,879)	(6%)
Diluted cash earnings per share from continuing operations	$ 0.48	$ 0.50	(0.02)	(4%)

Diluted earnings per share from continuing operations	$ 0.34	$ 0.41	(0.07)	(17%)
Weighted average number of diluted shares outstanding	76,990	75,438	1,552	2%

Depreciation and Other Amortization

2001 Results:

Depreciation and other amortization expenses were $17.9 million in 2001 representing 2.3% of revenues, compared to $9.4 million or 1.9% of revenues in 2000. Two major factors resulting in this increase are:

(a) The full year impact of the inclusion of Mosaic Performance Solutions which was acquired in the fourth quarter of 2000; and

(b) Significant investment during the second half of 2001 in equipment used in Mosaic's U.S. data collection joint venture with Information Resources, Inc.

Outlook for 2002:

In 2002 depreciation and amortization expenses are expected to be in the range of $20 million to $22 million. The increase will be largely as a result of the full year impact of the depreciation of capital assets acquired during 2001 and planned 2002 capital expenditures in the range of $20 to $22 million.

Interest Costs

2001 Results:

Interest expense increased to $16.8 million in 2001 from $9.4 million in the prior year. This increase in interest costs was due to the higher utilization of debt facilities, primarily to finance the acquisition of Mosaic Performance Solutions in 2000. The interest cost in the second half of fiscal 2001 was significantly lower than that in the first half of the year as a result of:

(a) The private placement of equity instruments in June 2001 in the amount of US$ 57 million, the proceeds of which were applied towards a reduction in senior bank debt as discussed further in the Liquidity and Capital Resources section; and

(b) A lower interest rate environment in Canada and United States, the two primary markets in which the Company's debt is priced.

In December 2001, Mosaic reached an agreement with its banking syndicate to extend the existing credit facilities by one year to October 2004. The amended credit facility carries interest at bankers' acceptance rates or LIBOR plus 2.15% to 3.05% depending on Mosaic's funded debt to EBITDA ratio. As at December 31, 2001, Mosaic was eligible for the lowest credit spread under the facility.

Mosaic has floating-for-fixed interest rate swaps which have the effect of fixing the interest rate on US$25 million of debt at 5.85% and $50 million of Canadian dollar debt at 5.19%, plus the credit spread on both instruments.

Outlook for 2002:

Given the current level and mix of debt, the fiscal 2002 interest (excluding COPrS payments) is projected to be in the range of $15 to $17 million. This amount reflects the net impact of the following factors:

(a) Lower interest expense as a result of the full year impact of the issue of equity instruments in June 2001;

(b) Increase in the credit spread on the amended bank agreement; and

(c) Continuing impact of a lower interest rate environment.

It is the Company's plan to lengthen the average life of its debt facilities. Typically, longer term instruments carry higher interest charges. As such, forecast interest expense could be significantly higher if the Company introduces longer term debt instruments into its capital structure during 2002.

Income taxes

2001 Results:

Income taxes as a percentage of earnings before taxes and goodwill charges decreased from 23.6% in 2000 to 22.3% in 2001. The reduction in effective tax rate is mainly due to the use of tax planning strategies and changes in the mix of income from different tax jurisdictions. Management continues to actively monitor and manage the Company's tax expense.

Outlook for 2002:

Management's tax planning strategies are expected to keep the effective tax rate in 2002 in line with or marginally lower than the actual tax rate in fiscal 2001.

Cash Earnings from Continuing Operations, Diluted Cash Earnings Per Share From Continuing Operations, Goodwill Charges and Earnings from Continuing Operations

2001 Results:

Cash earnings, defined as earnings from continuing operations before goodwill charges increased by $1.7 million, a 4% increase over 2000, to $39.3 million in 2001. As a percentage of revenues, cash earnings were 5.2%, down from 7.6%, reflecting the impact of (i) previously articulated losses aggregating $7.8 to $8.0 million resulting from lowered earnings on the AT&T program in the fourth quarter, the impact of September 11th on the Performance Solutions business, and the start-up losses on the Sainsbury'sMobile program; combined with (ii) increases in depreciation and amortization expense; and (iii) increased interest costs resulting from borrowing related to the Paradigm Direct (Mosaic Performance Solutions) acquisition.

Diluted cash earnings per share from continuing operations (Cash EPS) were $0.48 in 2001, a 4% decline from $0.50 in 2000. The decline is mainly due to the dilutive impact on per share earnings of the distributions on equity instruments, and the issue of common shares to finance acquisitions.

Diluted Pro Forma Cash EPS from continuing operations, reflecting the impact of the Mosaic Performance Solutions Earnout as if it had occurred on January 1, 2001, was $0.32 for fiscal 2001.

Goodwill charges from continuing operations, net of income taxes, increased to $10.3 million in 2001 from $6.7 million in 2000. The increase was mainly related to goodwill arising from the acquisitions in 2000, most significant being Mosaic Performance Solutions in the fourth quarter of 2000.

Effective January 1, 2002, the Company has adopted the new accounting standards released by the Canadian Institute of Chartered Accountants as applied to business combinations and accounting for acquisition related goodwill. This will effectively eliminate the ongoing amortization of goodwill but will require the company to periodically carry out tests that are significantly more rigorous than the existing standards to determine whether

there has been impairment in the carrying value of goodwill and in the financial statements. The impact of the non-amortization approach to accounting for goodwill for the Company in 2002 will be to increase diluted earnings from continuing operations. The Company has not yet determined the effect, if any, on its financial position and results of operations of the new goodwill impairment testing that will be done in connection with these new accounting standards.

With the implementation of the new accounting standards in January 2002, Mosaic will no longer report cash earnings or cash EPS, as the reported net earnings and EPS will essentially be the same as the previously reported cash earnings and cash EPS number.

Earnings from continuing operations were $29.0 million in 2001 compared to $30.9 million in 2000. Diluted earnings per share from continuing operations (EPS) were $0.34 in 2001, a decrease from $0.41 in 2000. This decline in per share earnings was mainly due to higher goodwill charges of $0.05 on a per share basis and lower cash earnings per share as discussed before.

The Company has retroactively adopted the new recommendations for determining earnings per share issued by the Canadian Institute of Chartered Accountants. The comparative per share earnings for 2000 have been restated to reflect retroactive adoption of the treasury stock method of calculating EPS.

Diluted Pro Forma EPS from continuing operations, reflecting the impact of the Mosaic Performance Solutions earnout as if it had occurred on January 1, 2001, was $0.20 for fiscal 2001.

Outlook for 2002:

Management estimates that diluted earnings per share for fiscal 2002 will be in the range of $0.32 to $0.34. The following table summarizes the outlook for the three months ending March 31, 2002 and for fiscal 2002.

(in millions of dollars)	Fiscal 2002 Estimates	Three months ending March 31, 2002 Estimates
Revenue	$730 to $750	$135 to $145
EBITDA	$89 to $91	$11 to $13
Diluted EPS	$0.32 to $0.34	$0.01 to $0.02

The above estimates exclude both the cost and savings of management's previously announced restructuring. The Company is currently estimating the costs related to this restructuring to be in the range of $10 to $14 million, with this charge to be recorded in the first quarter of 2002. Annualized savings from such initiatives are estimated at $10 million with an estimated $5 million saving in fiscal 2002. It is the Company's intention to provide an update of the restructuring costs and related savings, including changes in guidance, in the first quarter reporting to shareholders.

Discontinued Operations

During the current year, the Company divested its operations in Continental Europe through either the sale or closure of all businesses involved. This resulted in a one-time net of tax charge in the first quarter of 2001 of $8.3 million or $0.11 per diluted share. Management does not anticipate any further charges related to the exit from Continental Europe.

Liquidity and Capital Resources

The company's cash flows, as reflected in the Consolidated Statement of Cash Flows, are summarized in the table below:

Summarized consolidated cash flows

(in thousands of dollars)	2001	2000
Net cash provided by/ (used in):		
Continuing operations	$ 59,169	$ 48,562
Net change in non-cash operating working capital from continuing operations	(31,125)	15,237
Financing activities	6,289	155,204
Investing activities (continuing operations)	(38,570)	(205,603)
Discontinued operations	(6,806)	(7,434)
Effect of exchange rate changes on cash	260	(589)
Net change in cash position	$(10,783)	$ 5,377

During the year ended December 31, 2001, the company's operating activities generated $28.0 million in cash flows compared to $63.8 million in 2000. This decrease in operating cash flow was mainly due to the increase in working capital of $31.1 million in fiscal 2001 compared to a reduction of $15.2 million in working capital during fiscal 2000. The increase in working capital was required mainly to support the growth in revenues as well as the change in business mix arising from the discontinuance of the AT&T Wireless direct marketing contract and the working capital requirements of certain new client contracts during the year.

The net cash generated from financing activities was minimal compared to 2000. In June 2001, Mosaic completed a private placement of US$57 million of Canadian Originated Preferred Securities ("COPrS"). During the year the Company applied $72.2 million towards the reduction of debt, primarily under the Senior Credit Facility, by applying the proceeds from the placement of the COPrS. Distributions on those equity instruments amounted to $4.6 million for the year. Repurchase of common shares, net of shares issued, used $3.7 million of cash during the year.

Investing activities used $38.6 million of cash during the year. Of this, $14.2 million was used for acquisition costs and payments pursuant to contingent consideration agreements related to acquisitions from prior years. In addition, $22.2 million was used to acquire property and equipment and $2.2 million was invested in other long-term assets. Included in this category are investments of approximately $18.0 million made during the year in technology related to the sales solutions, data collection and the customer acquisition businesses of the Company and brand partner reporting information systems.

In February 2001, management decided to divest operations in the Continental Europe. The company completed the divestment in the first half of 2001 through the sale or closure of all the businesses involved. Cash used in fiscal 2001 in the closure and divestment of the discontinued operations was $6.8 million.

Investments

The company ended the year with total assets of $820.8 million, an increase of 26.6% from 2000. The largest component of this increase was goodwill, with a recorded value of $589.7 million and an increase net of

amortization of $158.9 million over last year.

The increase in goodwill arises from the following:

(a) Finalization of the Mosaic Performance Solutions earnout which added $143.0 million to goodwill;

(b) Exchange of the investment in Intelecom for its minority interest in eForce adding $9.2 million to goodwill;

(c) Strengthening of the U.S. dollar and British pound in relation to the Canadian dollar resulting in an increase in the recorded amount of goodwill by $20.2 million; less

(d) Amortization charge during the year of $13.5 million.

Management reviews the carrying value of goodwill on a regular basis to determine if impairment has occurred. This determination of each component of goodwill is made by comparing the carrying value of the goodwill to the undiscounted amounts of expected future cash flows. In addition, management monitors the traded market value of comparable marketing and sales services companies. Management is of the view that the carrying value of recorded goodwill has not been impaired, and in aggregate is recorded at less than fair market value.

As previously noted, effective January 1, 2002, the Company adopted the new accounting standards released by the Canadian Institute of Chartered Accountants as applied to business combinations and accounting for acquisition related goodwill and other intangible assets. The Company has not yet determined the effect, if any, on its financial position and results of operations of the new goodwill impairment testing that will be done in connection with these new accounting standards.

Investments in property and equipment at the end of the 2001 were recorded at $63.1 million, which is net of accumulated depreciation of $36.7 million, up $17.3 million over the net book value of $45.8 million at December 31, 2000. The increase was mainly from investments in technology related to the sales solutions, data collection and the customer acquisition businesses of the Company. These investments enable Mosaic to offer enhanced value to its customers in terms of field force management and market intelligence at retail. Mosaic believes that its technology provide significant entry barriers for competition and provides a way to differentiate the Company's service offerings.

Mosaic's non-cash working capital as at December 31, 2001 excluding accruals for acquisition liabilities was a net asset of $4.9 million compared to a net liability of $32.2 million as at December 31, 2000. Mosaic's working capital deficit declined year over year, with the most significant reason being the change in the mix of business at the end of the year with the wind-down of the AT&T Wireless ("AT&T") direct marketing contract and the implementation of several new contracts in fiscal 2001.

Under the terms of the AT&T contract, Mosaic was required to refund AT&T for customers acquired by Mosaic which did not remain on the AT&T network for an agreed period of time ('churn chargeback"). In accordance with GAAP, Mosaic records the estimated churn chargeback as a reduction in revenues at the time revenue is first recognized. However, Mosaic did benefit from the fact that AT&T would, on a cash basis, prepay the entire commission in advance and would only recover the commission in respect of a churn chargeback when the customer subsequently left the AT&T network. With the significant reduction of marketing under this program in the fourth quarter, the Company lost the benefit of this prepayment with a resulting negative impact on the Company's working capital position.

Capital Resources

Mosaic's long-term debt at December 31, 2001 was $169.3 million, drawn almost entirely from Mosaic's Senior Credit Facility. It includes $6.6 million of liabilities related to capitalized leases. The Company's credit agreement was amended on November 30, 2001. The amended agreement provides a $300 million committed revolving term facility with a reduction in the available principal amount to $275 million by October 5, 2002, and to $250 million by October 5, 2003. The term of the facility is three years, which can be extended for a further year on each anniversary of the facility, currently due October 2004.

As at December 31, 2001, Mosaic had unused capacity under this credit facility of approximately $123 million. This is adequate to meet Mosaic's working capital requirements, ongoing capital expenditure and commitments for acquisition related payments.

It is the Company's plan in 2002 to:

(a) Obtain additional sources of capital to reduce its reliance on its syndicated bank facility;

(b) Lengthen the average life of its debt facilities through the use of longer term instruments; and

(c) Reduce its overall debt levels (including COPrS) by year end.

Mosaic's shareholders' equity was $419.0 million as at December 31, 2001, an increase of $212.8 million, from $206.2 million at December 31, 2000. This increase resulted from:

(a) The issuance of US $57 million (C$85.3 million) in Canadian Originated Preferred Securities ("COPrS");

(b) The recording of Mosaic Performance Solutions earnout obligations of $98.9 million which are to be settled in shares;

(c) The net issuance of $4.1 million in shares, which includes $5.4 million net of cancellations in payments pursuant to contingent consideration agreements related to a prior year's acquisition, $1.1 million under Mosaic's Employee Share Purchase and Option plan and $1.0 million upon exercise of employee share options, partially offset by the repurchase of $3.4 million in shares under the Company's Normal Course Issuer Bid;

(d) Net earnings of $20.7 million, partially offset by a reduction of $6.0 million in retained earnings due to a loss of $3.3 million on the repurchase of shares at prices in excess of the average issue price and distributions on COPrS of $2.7 million, net of income taxes; combined with

(e) A change of $9.8 million in the foreign currency translation adjustment in respect of Mosaic's net investment in self-sustaining foreign operations due to a strengthening of the U.S. dollar and British pound in relation to the Canadian dollar.

Excluding the COPrS instrument, the company to date has not paid any dividends on its common shares, and does not intend to do so in 2002.

Outstanding Shares

At December 31, 2001, Mosaic had approximately 76 million common shares outstanding, and 77 million shares on a diluted basis. The difference between

the basic and diluted common shares relates to employee and director stock options as calculated by using the treasury stock method for diluted EPS.

In August 2001, the Toronto Stock Exchange accepted Mosaic's intention to renew its Normal Course Issuer Bid (the "Bid") through the facilities of the TSE. Under the terms of renewal, the number of common shares that can be purchased under the bid will be 3.8 million shares during the period from August 8, 2001 to August 7, 2002. As at December 31, 2001, the Company had repurchased 1.0 million shares under the terms of the Bid.

As previously set out, the Company issued 20.54 million shares in January 2002 as partial consideration for the Mosaic Performance Solutions earnout. In addition, up to a maximum of 12.48 million common shares could be issued in lieu of cash at Mosaic's option on April 1, 2002. It is currently the Company's intention to issue the entire April 1, 2002 final consideration in shares.

At December 31, 2001, outstanding stock options had an average exercise price of $5.96, with exercise prices ranging from $1.90 to $21.19. Stock options are issued to employees under the Company's Employee Share Purchase and Option Plan and to employees and directors under the Company's Incentive Compensation Plan. The exercise price of these options is set at no less than fair market value of the common shares at the time of grant.

Financial Risk and Uncertainties

In the normal course of business, the financial position and results of operations of the company routinely are subject to a variety of risks. Risks reflect uncertainty regarding potential outcomes from changes in political, economic and capital market conditions. Mosaic's management regularly assesses the risks associated with business transactions and the business environment within which the Company operates and has established policies and business practices to protect against adverse effects of these and other potential exposures. As a result, the Company does not anticipate any material losses from these risks. The Company is subject to these risks and uncertainties and actively manages them as follows:

Client and credit risk:

Mosaic manages its credit risk with respect to trade accounts receivable by dealing primarily with large creditworthy customers and by collecting, whenever possible, in advance of rendering services. Management is of the view that the Company is not subject to a significant concentration of credit risk. AT&T Wireless through multiple service contracts represented over 27% of revenues in fiscal 2001 with all other clients individually accounting for less than 7% of total revenues.

Mosaic is also subject to revenue uncertainties in respect of clients, including loss of clients, cancellation or delay of committed client projects, and the undertaking of unprofitable client work. These risks are reduced through the use of client contracts and project budgeting systems.

Workforce:

The Company is subject to labour laws across a number of legal jurisdictions. Changes in labour laws can impact the cost and productivity of the workforce. Additionally, current economic conditions provide for low unemployment rates in certain markets, resulting in increased competition for labour. The Company manages these risks by monitoring labour laws and adapting its policies to comply with regulations. In addition, the Company uses innovative tools (e.g. web and university-based recruiting and stock compensation plans) to attract new employees. The Company has adequate insurance to cover against any potential Employment Practices Liability.

Mosaic uses a number of Information Technology ("IT") tools in the course of delivering its services. The Company also has direct access to IT systems

of certain of its clients in order to activate customers, thus exposing Mosaic to risks related to unauthorized access to its computer systems, mishandling or destruction of data and data privacy issues. The Company manages these risks through the use of appropriate electronic privacy and security tools. The Company also carries out regular testing of its security systems to ensure their functionality.

Interest rate risk:

The Company's debt under its Senior Credit Facility bears interest subject to floating rates and the Company has exposure to movements in short-term rates. The Company manages this risk in part through floating-for-fixed interest rate swap arrangements with large financial institutions. The effect of these instruments at the end of 2001 was to fix the rate on US $25 million of debt at 8.0%, and on $50 million of Canadian dollar denominated debt at approximately 7.34%, based on the credit spread charged on the Senior Credit Facility at December 31, 2001.

Foreign currency risk:

Changes in the relative values of non-Canadian currencies to the Canadian dollar affect the Company's financial position. A significant part of the Company's operations are concentrated in self-sustaining operations in the United States and the United Kingdom. The operations in the United States are naturally hedged, as the cash borrowed to pay for the cash component of those acquisitions was borrowed in US dollars with US$69 million held in debt instruments and US$57 million in equity instruments denominated in that currency at December 31, 2001.

The Company has entered into a series of short-term foreign currency forward contracts to manage its exposure to movements in the UK pound and the US dollar. The forward contracts are designated as hedges against the UK pound and US dollar receipts under certain long term client contracts. At December 31, 2001, the nominal value of the UK pound forward contracts amounted to (pnds stlg) 5.7 million and the nominal value of the US dollar forward contracts amounted to US$20.6 million. No other currencies are material to Mosaic's operations.

Commercial risks:

Business operations are subject to normal commercial risks. Mosaic has a consolidated umbrella liability insurance policy, and management believes it has adequate and appropriate insurance in respect of insurable commercial risks.

Changes in Accounting Principles

The Company has retroactively adopted the new recommendations for determining earnings per share issued by The Canadian Institute of Chartered Accountants which effectively requires the use of the 'treasury stock method' and largely harmonizes Canadian standards with those used in the United States.

Effective January 1, 2002, the Company adopted the new accounting standards released by the Canadian Institute of Chartered Accountants as applied to business combinations and accounting for acquisition related goodwill and other intangible assets. The Company also adopted the new accounting standards as it relates to stock based compensation arrangements.

MOSAIC GROUP INC.
Consolidated Statements of Operations
(In thousands of dollars, except per share amounts)

Years ended December 31, 2001 and 2000

	2001	2000
Revenues	$ 761,654	$ 493,662
Direct costs	545,465	318,760
Gross profit	216,189	174,902
Selling, general and administrative	131,561	107,605
Earnings from continuing operations before depreciation and amortization, interest, minority interest, income taxes and goodwill charges (EBITDA)	84,628	67,297
Depreciation and other amortization	17,858	9,422
Interest, net	16,811	8,994
Minority interest	(629)	(393)
Earnings from continuing operations before income taxes, and goodwill charges	50,588	49,274
Income taxes:		
Current	10,293	10,651
Future	960	976
	11,253	11,627
Earnings from continuing operations before goodwill charges	39,335	37,647
Goodwill charges, net of income taxes of $ 3,151 (2000 - $1,088)	10,305	6,738
Earnings from continuing operations	29,030	30,909
Loss from discontinued operations	(8,324)	(28,296)
Net earnings	$ 20,706	$ 2,613
Earnings per share:		
Basic	$ 0.24	$ 0.04
Diluted	$ 0.23	$ 0.03
Earnings per share from continuing operations:		
Basic	$ 0.35	$ 0.43
Diluted	$ 0.34	$ 0.41

Earnings per share from continuing operations before goodwill charges:		
Basic	$ 0.48	$ 0.52
Diluted	$ 0.48	$ 0.50

Weighted average number of shares outstanding (in thousands):		
Basic	75,678	72,060
Diluted	76,990	75,438

MOSAIC GROUP INC.
Consolidated Statements of Cash Flows
(In thousands of dollars, except per share amounts)

Years ended December 31, 2001 and 2000

	2001	2000
Cash provided by (used in):		
Operations:		
Earnings from continuing operations	$ 29,030	$ 30,909
Items not involving cash:		
Depreciation and other amortization	17,858	9,422
Non-cash interest and finance costs	1,645	910
Future income taxes	960	976
Goodwill charges	10,305	6,738
Minority interest	(629)	(393)
Cash flow from continuing operations	59,169	48,562
Net change in non-cash operating working capital from continuing operations	(31,125)	15,237
	28,044	63,799
Financing:		
Issue of common shares, net of costs and share repurchases	(3,720)	6,301
Issue of equity instruments, net of costs	83,893	-
Proceeds on issue of long-term debt	49,980	181,800
Repayment of long-term debt	(122,144)	(34,587)
Increase (decrease) in bank indebtedness	2,798	(1,219)
Distribution on equity instruments	(4,561)	-
Minority investment in subsidiary	43	2,909
	6,289	155,204
Investments (continuing operations):		
Acquisitions of businesses, net of		

cash acquired	(14,162)	(169,544)
Additions to property and equipment	(22,177)	(26,530)
Additions to other assets	(2,231)	(9,529)
	(38,570)	(205,603)
Impact of foreign exchange effect on cash	260	(589)
Net cash used in discontinued operations	(6,806)	(7,434)
Increase (decrease) in cash position	(10,783)	5,377
Cash, beginning of year	15,413	10,036
Cash, end of year	$ 4,630	$ 15,413
Cash flow per share from continuing operations:		
Basic	$ 0.78	$ 0.67
Diluted	$ 0.77	$ 0.64

MOSAIC GROUP INC.
Consolidated Balance Sheets
(In thousands of dollars)

December 31, 2001 and 2000

	2001	2000
Assets		
Current assets:		
Cash	$ 4,630	$ 15,413
Accounts receivable	92,538	77,387
Work in progress and unbilled revenue	21,825	23,430
Inventory and other current assets	17,936	16,299
Net assets of discontinued operations	-	5,781
	136,929	138,310
Property and equipment	63,110	45,763
Goodwill, net of accumulated amortization of $31,755 (2000 - $18,298)	589,711	430,824
Future income taxes	18,221	7,020
Other assets	12,793	26,168
	$ 820,764	$ 648,085

Liabilities and Shareholders' Equity

Current liabilities:		
Bank indebtedness	$ 5,943	$ 3,145
Accounts payable and accrued liabilities	99,968	129,130
Deferred revenue	24,697	23,576
Accrued acquisition liabilities	72,845	38,424
Income taxes payable	2,705	2,424
Current portion of long-term debt	3,828	272
	209,986	196,971
Long-term debt	169,347	227,337
Future income taxes	19,758	14,287
Minority interest	2,685	3,321
Shareholders' equity:		
Share capital	375,780	187,442
Foreign currency translation adjustment	(3,849)	(13,630)
Retained earnings	47,057	32,357
	418,988	206,169
	$ 820,764	$ 648,085

MOSAIC GROUP INC.
Consolidated Statements of Retained Earnings
(In thousands of dollars)

Years ended December 31, 2001 and 2000

	2001	2000
Retained earnings, beginning of year	$ 32,357	$ 30,455
Net earnings	20,706	2,613
Repurchase of shares in excess of average issue price	(3,280)	(711)
Distributions on equity instruments, net of income taxes $2,231	(2,726)	-
Retained earnings, end of year	$ 47,057	$ 32,357

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Forward-Looking Statements

Mosaic and its representatives periodically make written and spoken

forward-looking statements and projections, including those contained in the annual and quarterly reports to shareholders. Substantial risks and uncertainties exist with respect to such factors as the maintenance of client relationships, client credit risk, the performance of capital markets, changes in interest rates, changes in foreign currency exchange rates, the retention of key management and availability of employees for hire, changes in labour and other laws to which the Company is subject, the impact of terrorism on consumer and business behavior, competition, and overall economic performance, as well as various other risk factors that will be listed from time to time in Mosaic's report or other forms of public disclosure whether written or oral. Because of these risks and uncertainties, actual results could differ materially from those contained in the Company's projections or other forward-looking statements. Mosaic cautions readers when making decisions to consider the risks and uncertainties inherent in relying on forward-looking statements made by the Company and its representatives at this or any other time.

Additional Information

For additional information on Mosaic Group's year end results and other recent announcements, the reader is invited to access the Mosaic Group Inc. conference call tomorrow (March 1st, 2002) 8 a.m. EST. The dial in number for Toronto and overseas callers is 416-640-4127. The toll-free number for North America is 1-877-823-6611. The 72-hour playback number is 1-877-289-8525 Passcode 174640(pound key) or 416-640-1917 Passcode 174640(pound key). The conference call is also available on a web cast through Mosaic's website at www.mosaicgroupinc.com in the Investor Relations section. Complete 2001 consolidated financial statements will be available on SEDAR (www.sedar.com) as of March 6, 2002, on Mosaic's website or by calling the Company.

Mosaic Group Inc., with operations in Canada, the United States, and the United Kingdom, is a world leading provider of results-driven, measurable marketing solutions for global brands. Mosaic specializes in three functional solutions: Direct Marketing Customer Acquisition and Retention Solutions; Marketing & Infrastructure Solutions; and Sales Solutions & Research, offered as integrated end-to-end solutions. Mosaic differentiates itself by offering solutions steeped in technology, driven by efficiency and providing measurable and sustainable results for our Brand Partners. Mosaic trades on the TSE under the symbol MGX. Further information on Mosaic can be found on its web site at www.mosaicgroupinc.com.

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/For further information: Please Contact: John McIlveen, Director of Corporate Development, (416) 813-4292, Mosaic Group Inc., Email: mcilveenj(at)mosaicgroupinc.com; Donna Cox-Davies, Director of Communications, (416) 813-4279, Mosaic Group Inc., Email: cox-daviesd(at)mosaicgroupinc.com/ (MGX.)

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